Government of Canada

2007-05973/

News Release

Immediate release

Ottawa, October 31, 2007
2007-084

Canada Employment Insurance Commission Reduces Premium Rates for 2008

The Honourable Jim Flaherty, Minister of Finance, and the Honourable Monte Solberg, Minister of Human Resources and Social Development, today welcomed the Canada Employment Insurance Commission's decision to reduce employment insurance (EI) premium rates for 2008.

"Lower employment insurance premiums, along with our government's historic tax reductions, will help liberate the forces of investment and stimulate further job creation across Canada," said Minister Flaherty. "Together, these reductions will leave more money in the pockets of hard-working Canadians, and better position Canadian businesses as they wade into the highly competitive global economy."

In noting the rate reduction, Minister Solberg said: "Moving forward, the Speech from the Throne has underlined our government's commitment to take measures to improve both the governance and management of the EI account."

The premium rate for employees will fall to $1.73 from its current level of $1.80 per $100 of insurable earnings, effective January 1, 2008. The rate paid by employers will be reduced as well, to $2.42 from $2.52 per $100 of insurable earnings.

The Report of the Human Resources and Social Development (HRSD) Chief Actuary has projected that these rates should generate just enough premium revenue in 2008 to cover EI benefit payments for that year, as prescribed by the Employment Insurance Act.

The 2008 EI premium rates for Quebec will be $1.39 for employees and $1.95 for employers. These are lower than in the rest of Canada because Quebec finances its own parental benefits.

The HRSD Chief Actuary has also calculated the maximum insurable earnings (MIE) for 2008, according to the formula set out in the Employment Insurance Act that indexes the MIE to the growth in the average industrial wage, as being $41,100, up $1,100 from its 2007 level. The MIE is the income level up to which earnings are insured and on which premiums are paid by employees and employers. This in turn also determines maximum weekly EI benefits.

The premium rate reduction combined with the MIE increase mean that employers and employees will pay $460 million less in EI contributions, as compared to the 2007 premium rate and MIE.

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